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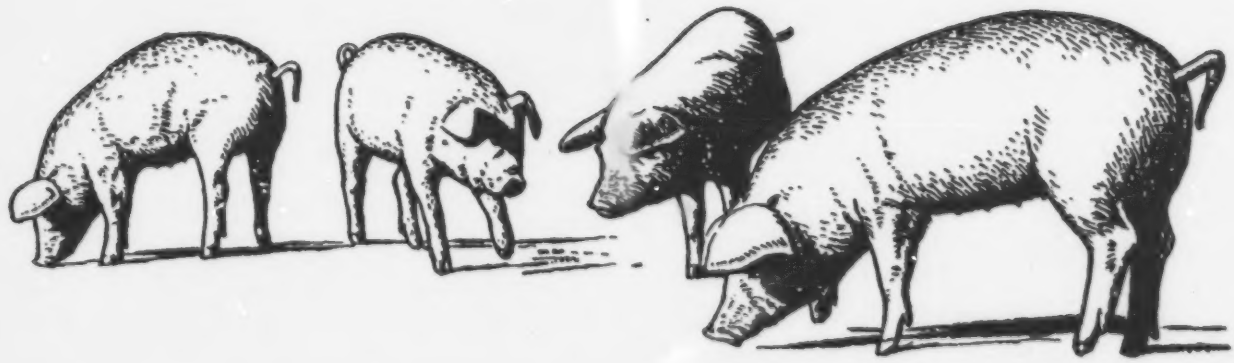
Swine Farm Business Summary

1989



FINISHING

PREFACE

The 1989 Nova Scotia Swine Farm Business Summary for the Finishing Enterprise is a synopsis of the business performance of eight (8) Nova Scotia Swine Finishing Farms. All eight farms are located in the Annapolis Valley.

The farms used in this summary were not selected on a random sample basis. Instead, farmers volunteered their data for use in the summary. Therefore, care should be exercised in the use and interpretation of the results shown in the various tables of the summary.

Despite this limitation, farmers can compare their individual results with group average figures for farms with similiar characteristics. Such comparison can provide the farm manager with useful information that can be used in management decisions. However, the best information is the farmer's own records and comparison of these from one year to the next.

We gratefully acknowledge the co-operation of the swine producers who participated in this summary.

We further acknowledge the efforts of Pamela Fraser and Peter Dekker who assisted in gathering the data and Tracey Mitchell for the secretarial work.

Jim Houghton, P.Ag.
Farm Business Management Specialist

Ronda Bellefontaine
Farm Business Management Technician

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INTRODUCTION

The Nova Scotia Swine Farm Business Summary for the Finishing Enterprise is designed to provide bench mark information that can be used to compare the financial strengths and weaknesses of individual swine farms with similar characteristics. Farm business analysis is an important function of the farm manager-operator. When analyzing the farm business, you must ask meaningful questions regarding the costs, incomes, efficiencies and capital investment found in your business. This summary is designed to assist you with those questions and to provide you with basic information for comparison purposes. By identifying the strengths of your business and building on these, you should be able to enhance the profit picture of your business. The profit picture of your business should also be improved by identifying the weaknesses and taking corrective action.

Standards of performance and business progress are matters of personal choice and family goal setting. Each farm situation will have a different set of goals or objectives - a different set of values that you feel must be met through the farm business. Each of you should identify these goals and objectives and then compare your performance in achieving them.

There are several ways that you can compare your farm performance. These include:

- You can compare your performance this year to that of last year. This is perhaps the best comparison. Have you progressed in reaching the goals you have set for your farm business?

- You can compare your performance with group average data for farms of similar size and general characteristics. This report may be useful in this regard.

- You can compare your performance to that found by research - realizing that the research data was obtained under a special set of conditions.

RECEIPTS

Receipts from the sale of hogs accounted for 68.0 percent of Total Farm Receipts. Market hog sales amounted to 95.8 percent, and other hogs 4.2 percent of this amount.

The provincial stabilization program was discontinued in 1989 and replaced by Tri-partite Stabilization. There were heavy payouts from these programs due to low pork prices. Total stabilization, tri-partite and Provincial Cap Revenue amounted to $48.34 on a per hog sold basis, with income of $118.04 per hog sold from the marketplace. Tri-partite revenue includes a payment for the fourth quarter of 1989 that was received in 1990.

Total Farm Receipts averaged $ 805,071. on a per farm basis, or $173.46 on a per hog sold basis.

TABLE 1: RECEIPTS

ITEM	PER FARM	PER HOG SOLD
Market Hogs	$ 524,623.	$ 113.04
Other Hogs	23,214.	5.00
TOTAL HOG RECEIPTS	$ 547,837.	$ 118.04
Stabilization, Tri-partite, Cap.	$ 224,335.	$ 48.34
Subsidies	24,699.	5.32
Other Income	8,199.	1.77
TOTAL FARM RECEIPTS	$ 805,071.	$ 173.46

EXPENSES

Purchased feed was the largest single item and accounted for 49.6 percent of Cash Expenses. In dollar terms, feed amounted to $75.71 on a per hog sold basis, or $ 351,388. on a per farm basis.

Other major expenses were; weanling purchases at 33.3 percent, hired labour at 4.0 percent, and marketing costs and tri-partite premiums at 2.6 percent of total cash expenses.

TABLE 2: EXPENSES

ITEM	PER FARM	PER HOG SOLD
Feed Purchased	$ 351,388.	$ 75.71
Swine Purchased	235,787.	50.80
Hired Labour	28,544.	6.15
Bedding	250.	.05
Vet & Drugs	7,959.	1.71
Hog Supplies	3,367.	.73
Marketing Costs, Tri-partite Premiums	18,455.	3.98
Utilities	7,016.	1.51
Taxes	1,616.	.35
Insurance	4,398.	.95
Building Repairs	11,490.	2.48
Machinery & Equipment Expense	13,154.	2.83
Auto Expense	4,512.	.97
Interest - Operating	8,800.	1.90
Miscellaneous	11,416.	2.46
TOTAL CASH EXPENSES	$ 708,153.	$ 152.58

INCOME SUMMARY

One of the key factors studied, when analyzing a farm business is Income. In the table below, two (2) measures of income are summarized.

Net Cash Income refers to the difference between Farm Receipts and Cash Expenses. For these farms, Net Cash Income averaged $96,917. per farm or $20.88 on a per hog sold basis.

Net Farm Income is the difference between Farm Receipts and Cash Expenses with adjustments made for Inventory Change, Depreciation and Interest on Capital Loans. For these farms, Net Farm Income averaged $59,452. per farm or $12.81 per hog sold.

TABLE 3: INCOME SUMMARY

ITEM	PER FARM	PER HOG SOLD
Total Farm Receipts	$ 805,071.	$ 173.46
Total Cash Expenses	708,153.	152.58
NET CASH INCOME	$ 96,917.	$ 20.88
Plus: Inventory Change	$ -2,278.	$ -.49
Less: Depreciation	22,480.	4.84
Interest on Capital Loans	12,707.	2.74
NET FARM INCOME	$ 59,452.	$ 12.81

AVERAGE COST OF PORK PRODUCED

The average cost of producing pork was $2.01 per kg. ($0.91/lb.) on a dressed weight basis.

Note that this cost figure does not include a value for operator labour or interest on equity. Instead, it is a measure of the cost at the Net Farm Income level. Nothing has been added for what are traditionally called "Opportunity Costs".

TABLE 4: AVERAGE COST OF PORK PRODUCTION

ITEM	PER FARM	PER HOG SOLD
Total Farm Expenses	$ 743,340.	$ 160.16
Plus: Inventory Adjustment	2,278.	.49
Less: Other Income	8,199.	1.77
TOTAL COSTS	$ 737,420.	$ 158.89
Total Kgs of pork produced (L.W.)	470,925	101.47
Ave. Cost of Production (L.W.) ($)	1.57	1.57
Ave. Cost of Production (D.W.) ($)	2.01	2.01

COST ANALYSIS

Feed Purchased was the largest single cost item, accounting for 47.3 percent of Total Cost. Other major expenses were; swine purchased at 31.7 percent, hired labour at 3.8 percent, and depreciation at 3.0 percent of Total Cost.

TABLE 5: COST ANALYSIS

ITEM	PERCENT OF TOTAL
Feed Purchased	47.3 %
Swine Purchased	31.7
Hired Labour	3.8
Bedding	.0
Vet & Drugs	1.1
Hog Supplies	.5
Marketing Costs, Tri-partite Premiums	2.5
Utilities	.9
Taxes	.2
Insurance	.6
Building Repairs	1.5
Machinery & Equipment Expense	1.8
Auto Expense	.6
Interest - Operating	1.2
Miscellaneous	1.5
Depreciation	3.0
Interest - Loans	1.7
TOTAL	100.0 %

PRODUCTION ANALYSIS

There were an average of 4,529 market hogs sold for farms in this study. Weanling purchases averaged 4,684 head, with a mortality of 3.23 percent for these farms. Market hogs were sold at an average dressed weight of 79 kgs. (net of demerits).

The average return per market hog was $165.37. This includes both market revenue and stabilization revenue.

TABLE 6: PRODUCTION ANALYSIS

ITEM		PER FARM
Market Hogs Sold	(#)	4,529
Other Hogs Sold	(#)	112
Inventory Change	(#)	-132
Inventory Adjustment	(#)	27
Purchases	(#)	4,684
Feeder Hog Mortality	(#)	147
Feeder Hog Mortality	(%)	3.23
Total Hogs Sold	(#)	4,641
Ave. Wt. per Market Hog (D.W.)	(kgs)	79
Ave. Return per Market Hog	($)	165.37
Labour Man Equivalents	(#)	2.42
Feeders Sold/Man Equivalent	(#)	1,868
Total Sales per Man	($)	331,988

PRODUCTION ANALYSIS

Feed consumption per hog averaged 56.87 kilograms of starter and 225.96 kilograms of grower, for a total consumption of 282.83 kilograms of feed. This gives a feed conversion of 3.35 kilograms of feed for each kilogram of gain.

TABLE 7: PRODUCTION ANALYSIS

ITEM	UNIT	PER FARM
Starter per Hog	(kgs)	56.88
Cost Starter/Hog	($)	18.41
Grower per Hog	(kgs)	225.98
Cost Grower/Hog	($)	55.78
Total Feed per Hog	(kgs)	282.86
Total Cost Feed/Hog	($)	74.19
Ave. L.W. Hog Produced	(kgs)	84.46
Feed Conversion - Starter & Grower		3.35
Feed Cost/Kg. L.W. Hog	($)	.88
Feed Cost/100 ~~lbs~~ Kgs. L.W. Hog Produced	($)	87.83
Feed Cost/100 ~~lbs~~ Kgs. D.W. Hog Produced	($)	112.61
Starter Cost/Tonne	($)	323.68
Grower Cost/Tonne	($)	246.85

SUMMARY

The 1989 Nova Scotia Farm Business Summary for Finishing operations provides basic information and statistics on the costs and returns associated with the swine Finishing enterprise on Nova Scotia farms. While not based on a statistically sound random sample of swine farms, the summary can be used, with care, to assist in the analysis of the swine finishing enterprise by providing group average data for comparison purposes.

In reviewing the information contained in this summary, the following items can be noted:

- Average feed consumption per market hog was 282.86 kilograms of feed, for a feed conversion of 3.35.
- Total feed cost per hog was $74.19. This is a $14.09 increase from 1988.
- Net farm income averaged $12.81 per hog sold.
- The average cost of production per kg. dressed weight was $2.01 ($0.91/lb.). This is a substantial increase from $1.76 per kg. in 1988.

In compiling data for this summary, extreme variation among farms was noted. This variation was observed in most items of receipts, costs and management factors. Below, we outline a number of the variations.

- Net Farm Income had a range of $35.26 per hog sold between the highest and lowest Net Incomes on a per hog sold basis.
- Feed costs per hog sold had a range of $19.87.
- Kilograms of feed per hog raised varied as much as 126.18 kilograms.
- Hogs sold per man equivalent had a range of 2256 hogs between the highest and lowest per man.

With such wide variation in many of the items of returns, costs and production factors, it is difficult to isolate specific characteristics that result in a profitable swine finishing unit. It would appear, however, that a number of the key factors of production outlined above, such as production per unit, cost control, efficient use of capital and labour, are of significant importance in determining the success of the farm unit.

Those operators who successfully combined these factors of production in the operation and management of their farm units achieved a return to their labour, capital and management skills.